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SUBJECT: WTO GOVERNMENT PROCUREMENT MEETING DURING THE WEEK OF JULY 18, 2005

REFTEL: STATE 327601

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[11.](#) (U) Summary and Background: During the week of July 18, 2005, the U.S. delegation, led by Jean Heilman Grier, Senior Procurement Negotiator, USTR, and including John Liuzzi, Department of Commerce, and Robert Kasper, U.S. Mission to the WTO, participated in formal and informal meetings of the WTO Government Procurement Committee (Committee). The focus of the Committee's work was the revision of the 1994 Government Procurement Agreement (GPA) text. While there was progress in a number of areas, there remains disagreement (in places significant) on certain issues in the text. However, informal USG bilateral discussions with a number of GPA parties indicated a general consensus that the Committee reach provisional agreement on the revision of the GPA text before the Hong Kong Ministerial. At the formal committee meeting, the government of Israel informed the Committee that it will again seek continuation of its current level of offsets. The U.S. also participated in Quad meetings on July 18 and 19 and bilateral meetings with delegates from Israel on its offsets request and Japan concerning a government procurement issue involving Japan Railway Kyushu. The next committee meetings are scheduled for the week of October 10, 2005. END SUMMARY.

QUAD MEETINGS

[12.](#) (SBU) The U.S. delegation participated in a Quad meeting on July 18, 2005, hosted by Canada. The Quad discussed US proposed revisions of the Committee decisions relating to the Indicative Criteria and Arbitration Procedures related to the implementation of the Article on Modifications of Coverage. The Quad also discussed a Japanese non-paper on Article VIII (conditions for participation) and joint Canada-EU work on the Electronic Procurement Provisions in the text. In addition, the quad discussed a Japanese submission on horizontal coverage issues, the organization of the Committee's work, and the Israeli offsets issue. On July 19, the quad met again, at Japan's request, to further discuss the relationship of Japan's procurement procedures to the revision.

INFORMAL MEETINGS OF THE COMMITTEE ON GOVERNMENT PROCUREMENT

[13.](#) (SBU) Horizontal coverage issues: on July 18, the committee held an informal session on the so-called "horizontal coverage issues". The discussion focused on a Japanese submission on the need for balance in market access commitments, a may 2005 U.S. proposal relating to the structure and content of Appendix I, and various issues in the text that relate to coverage.

[14.](#) (SBU) Revision of the text: the Committee held informal drafting sessions from July 19 through 21 on the revision of the text of the GPA. The only new submission was the U.S. proposed revisions of two draft Committee decisions relating to implementation of the Article of the Agreement on Modifications of Coverage. Canada and the EC also offered improvements in the electronic procurement provisions of the text. The discussions helped narrow the differences and remove brackets, as well as highlight areas where parties have flexibility and that could be a basis for compromises. The parties generally share the aim of reaching provisional agreement on the non-market-access-related provisions in the revised text before the Hong Kong Ministerial.

INFORMAL BILATERALS WITH GPA MEMBERS ON THE TEXT NEGOTIATIONS

[15.](#) (SBU) The U.S. delegation held informal bilateral consultations with delegations from Canada, the EC, Hong Kong China, and Switzerland relating to the status of the negotiations on text revision and means for resolving various issues. The conversations indicated there is widespread support for completing the negotiations on the non-market-access issues before the Hong Kong Ministerial.

INFORMAL BILATERAL WITH THE GOVERNMENT OF JAPAN

16. (SBU) At the request of the United States, the U.S. and Japanese delegations held an informal bilateral discussion on Japan railway - Kyushu's use of a GPA exception for operational safety of transportation. The United States raised concerns with the appropriateness of JR-Kyushu's use of that exception in the construction of a railway station. The GOJ delegation promised to look into the matter and report back to the USG.

ISRAELI OFFSETS

17. (SBU) At the request of Israel, the U.S. delegation held a bilateral discussion on Israel's plans to request another extension of its obligation to reduce its level of offsets. (NOTE: In December 2004, the committee agreed to allow Israel to extend its level of offsets at 30 percent through 2005, rather than reduce it to 20 percent as called for in Israel's appendix.) Israel provided a summary of a study that it had conducted on its use of offsets. In the bilateral, and later in the formal meeting of the committee, Israel contended that the business opportunities for its industry resulting from the offset provisions constitute the main benefit of its membership in the GPA. The United States said that it could not comment until Israel made a concrete proposal, which Israel said would be forthcoming. However, the United States reiterated its position that it regards offsets as a transitional measure and not a permanent element of any party's coverage; and the USG stated that Israel should present a plan for phasing out its offsets.

FORMAL COMMITTEE MEETING

18. (SBU) The committee held a formal meeting on Thursday, July 21 in which it reviewed the status of modifications to the GPA appendices and the status of accessions and entertained a presentation by Israel concerning its continued use of offsets in government procurement. The Committee also adopted a new schedule for market access negotiations since no offers were submitted by the May 2005 deadline indicated in the Committee's decision on modalities for negotiation on extension of coverage and elimination of discriminatory measures and practices (GPA/79). The new schedule calls for the submission of market access offers prior to the October 2005 meeting of the Committee, but not later than the Hong Kong Ministerial. The Committee also agreed to aim to conclude the negotiations by the end of 2006. In reviewing the work on the revision of the text, the chair emphasized the importance of parties coming to the next meeting with sufficient flexibility and authority to resolve the remaining text issues.

Next meetings of the Committee

19. (SBU) The Committee will convene again the week of October 10, 2005 with the goal of finalizing the revision of the non-market-access-related provisions of the text. The Chair has recommended that the Committee spend a full four days that week on the text issues. Shark